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SUBJECT: ECONOMIC POLICY IN PRESIDENT ZARDARI'S ADDRESS TO THE  
PARLIAMENT

¶1. (SBU) Summary: On September 20, President Asif Zardari addressed a joint session of Parliament. The speech touched briefly on economic issues, including a PKR 34 billion (USD 439.28 million) poverty alleviation plan and the need to eliminate oil and energy subsidies, increase the electric power grid capacity, and advance agricultural assets. President Zardari also said he saw a new beginning for the economy, marked by renewed investor confidence and a resumption of foreign investment. The speech did not contain details for achieving these goals and did not reassure either the domestic or the international audience that the government has a strategy for addressing the rapidly deteriorating economic situation. End Summary.

¶2. (U) On September 20, newly-elected President Asif Zardari addressed a joint session of the Parliament. This keystone speech covered a range of topics but lacked any comprehensive strategy on how to aid Pakistan's failing economy. The following is an excerpt of the speech which was delivered in English, as it pertains to economic issues, from President Zardari's first Presidential address.

¶3. (U) Begin excerpt quote:

¶4. (U) POVERTY.

¶5. (U) Madame Speaker, Honorable Members of Parliament, the greatest challenge this government faces is an economic one. No elected government can survive the prospect of its people going hungry. The immediate and most urgent task before the Government is to provide food security to the common man burdened with the rising prices of food items.

¶6. (U) But we must realize that given the global oil and food shocks we face today, and the neglect of the Agricultural sector over the past nine years, this will not be enough to take the edge off the growing poverty our people face. To provide immediate relief to the poorest of the poor, the government has introduced welfare schemes across the board, with no political strings attached, like the Benazir Income Support Scheme for which a budgetary allocation of Rs. 34 billion has been made in the current Financial Year.

¶7. (U) The ban on trade unions has been removed and the minimum wage of an unskilled worker has been increased.

¶8. (U) ECONOMY.

¶9. (U) Madam Speaker, I do realize that all this is not enough. Undoubtedly, your government inherited an economy that was driven by pure consumption, and as such was saddled with huge liabilities of unpaid subsidy-claims on account of petroleum products, power tariffs and luxury imports. The subsidies on oil and gas that we have removed is something no political government wants to shift, but this bitter pill we had to swallow because our balance of payments account could not sustain the expenditures of the last regime.

¶10. (U) I see a new beginning for our economy, marked by a program of restoring investors' confidence, resumption of foreign investment, gradual build-up of reserves, exchange rate stability and, above all, revival of sustainable growth.

¶11. (U) ENERGY.

¶12. (U) Madam Speaker, I am aware of the harsh reality that Pakistan is passing through an acute energy crisis due to a serious shortfall of electricity. Unlike the last government, which did not install a single new Megawatt in seven years, our Government has taken immediate short and medium term measures to address the issue. We cannot take Pakistan out of darkness in one month, but we can certainly do it by the end of the next year.

¶13. (U) AGRICULTURE.

¶14. (U) Madam Speaker, the government needs to set core priorities.

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¶15. (U) I believe that the vast and rapidly changing agriculture sector offers enormous opportunities to hundreds of thousands of rural poor to break the vicious cycle of poverty.

¶16. (U) Agriculture-led growth will raise farm incomes, lower food prices and generate the surplus for exports that we so urgently need. Therefore, agriculture needs to be placed at the top of the agenda for ensuring food security on a long term basis, generating jobs and income for a vast majority of people living in the rural areas of the country. For the first time in the history of Pakistan, the government is looking at crop-insurance schemes.

¶17. (U) End excerpt quote.

¶18. (SBU) Comment: Zardari met with a high level visiting delegation including Monshin Khan, Director for the Middle East and Central Asia from the International Monetary Fund the previous day, in which he was reportedly urged to use the national address as a platform to convey a comprehensive strategy on how to stabilize the Pakistani economy. Zardari, speaking in English, did not to use his national address to reassure international donors, investors, or Pakistani citizens about the rapidly deteriorating economic situation. With a very small portion of his speech devoted to the economy and only vague measures enumerated, Zardari's speech did not provide comfort on economic measures for upcoming meetings with U.S government or World Bank officials. Particularly in light of the bombing of the Marriott hotel and given the myriad of issues facing the PPP-led government, garnering high level attention on the economy has been slow in coming and may not yet be prioritized as appropriately as donor countries would prefer. End Comment.

PATTERSON